

## **Report to Congress**

**Submitted Pursuant to U.S. Policy in Iraq Act,  
Section 1227(c) of the National Defense Authorization  
Act for Fiscal Year 2006 (PL 109-163), as amended by  
Section 1223 of the National Defense Authorization  
Act for Fiscal Year 2008 (P.L. 110-181) and  
Section 1213(c) of the National Defense Authorization  
Act for Fiscal Year 2009 (Public Law 110-417).**

**April 2009**

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## **Introduction**

This report is submitted pursuant to Section 1227(c) of the National Defense Authorization Act for Fiscal Year 2006 (Public Law 109-163) concerning United States Policy in Iraq, as amended by Section 1223 of the National Defense Authorization Act for Fiscal Year 2008 (Public Law 110-181); and Section 1213(c) of the National Defense Authorization Act for Fiscal Year 2009 (Public Law 110-417). The report covers the security, political, diplomatic, and economic measures that are being or have been undertaken primarily during the reporting period January 1 to March 31, 2009 (the First Quarter of 2009). This quarter's report also includes select information on the use of assistance funds appropriated for Iraq, previously reported under Section 2207 of the Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, Fiscal Year 2004 (P.L. 108-106), as amended by P.L. 108-309 and P.L. 109-234, which has now expired.

This report is organized into the following sections: (1) the current mission in Iraq and measures taken to support it, (2) Iraqi progress towards a sustainable political settlement, (3) a description of the Joint Campaign Plan (JCP), (4) Iraqi Security Forces' (ISF) capacity and readiness, (5) criteria used to evaluate progress in that area, (6) the plan for successfully completing the mission, (7) an assessment of the U.S. force levels required in Iraq for the next six months and their missions, (8) a description of conditions that could prompt changes in U.S. force levels, and (9) a description of the implementation of the strategy for United States-led Provincial Reconstruction Teams (PRTs) in Iraq. U.S. policy goals can be outlined, and progress measured, along four tracks: security, political, diplomatic, and economic. Responsibility for success in these tracks lies with the Iraqi people.

## **Security Track**

The overall security situation continues to improve slowly, with security incidents remaining at the same low levels as experienced in late 2003. In much of the country, a sense of normalcy is returning, and citizens are focused on economic issues and the delivery of essential services. With more Iraqis describing their neighborhoods as calm, the environment is growing more conducive to economic and infrastructure development. Numerous factors have contributed to improved security, including effective Coalition and Iraqi counter-terror operations, increasing capabilities of the ISF, and the rejection of violence and extremism by the Iraqi people. Insurgent-initiated attacks decreased from an average of 22 per

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day during September to November 2008 to 12 per day during December 2008 to February 2009. However, insurgents retain the capacity for high-profile attacks. Civilian deaths declined slightly to an average of 23 per week during this reporting period. A small surge in high-profile attacks can cause a spike in civilian deaths and potentially destabilize the security environment, as evidenced by the December attack on a restaurant in Kirkuk. That explosion killed 42 civilians. Additionally, there were a series of attacks on Shi'a pilgrims during the celebration of Arba'een in February. While overall security achievements are positive, they remain fragile in some places, most notably in Ninewa and Diyala Provinces and in Baghdad.

Violent Sunni insurgent groups and Al Qaeda in Iraq (AQI) still pose a security concern, as do Iranian-supported Shi'a militant groups and unaligned Shi'a extremists.

### **Political Track**

Iraq held provincial elections in 14 of its 18 provinces on January 31. They were the first provincial elections since January 2005 and the first to be largely Iraqi-led, managed, and financed. There were few reported incidents of violence compared to 2005. Reports of election fraud were minimal but were investigated by Iraq's Independent High Electoral Commission (IHEC). Both domestic and international election observers as well as Iraqis judged that the elections were successful. Sunnis, who had boycotted the 2005 elections, turned out in large numbers in Anbar, Salah-ad-Din, and Diyala.

Signature collection for the Basrah region formation referendum was extended until January 19, but backers of the referendum were unable to collect the signatures of the required ten percent of registered voters. Provincial election results and an apparent lack of public support for the referendum may undermine further attempts to form a region in Basrah or elsewhere.

The Office of the United Nations (UN) High Commissioner for Refugees (UNHCR) cites host government estimates that 4.8 million Iraqis are currently displaced: 2.8 million internally and 2 million in the region. The U.S. Government (USG) has contributed more than \$150 million for humanitarian assistance programs for displaced Iraqis thus far in this Fiscal Year (FY); in FY08, the USG provided \$398.3 million.

During the reporting period, the Government of Iraq (GOI) posted ambassadors to Syria and Lebanon. Iraq furthered its ties with several countries

and international organizations through high-level visits. Several countries, international organizations, and non-governmental organizations (NGOs), including the Arab League, European Commission, European Parliament, and the Organization of the Islamic Conference, sent representatives to monitor Iraq's provincial elections. The UN Assistance Mission for Iraq (UNAMI) provided critical assistance before, during, and after the elections.

Looking ahead, the GOI and Iraqi people face several challenges. In addition to ensuring that the newly elected provincial councils are seated and function effectively, Iraq must also prepare for additional upcoming elections in 2009 and 2010, including national elections for the Council of Representatives (COR). Other looming political challenges include resolving the issue of disputed internal boundaries, permanently transitioning the Sons of Iraq (SOI) to civilian employment or positions with the ISF, enacting hydrocarbons legislation, implementing the Law on Accountability and Justice (de-Baathification reform), and resettling refugees and internally displaced persons (IDPs).

### **Economic Track**

Iraq made mixed, if inconsistent, economic gains over 2008, with private sector growth benefiting greatly from improved security, increased oil revenue in the first half of 2008, increased government spending, and gains in some of the smaller sectors of Iraq's economy, such as manufacturing and retail. The International Monetary Fund (IMF) projects 7.5 percent real Gross Domestic Product (GDP) growth in 2009. Prudent monetary policy helped to stabilize Iraq's inflation rate over the past year, bringing year-on-year core inflation in line with regional levels. The recent drop in global oil prices convinced the COR to reduce the 2009 national budget from \$63 billion to \$59 billion and accept a projected fiscal deficit of \$16 billion. Worldwide oil price fluctuations may constrain the GOI's fiscal outlook in the medium term. The IMF estimates that if oil prices remain around the low price level of \$38 a barrel or declined, or production targets are not met, the GOI might need to adopt a supplementary budget reduction in May or June of 2009. While oil prices have recovered slightly, Iraqi officials are looking for ways to increase oil output in relatively short order, including accelerating the entry of international oil firms to the Iraqi market and promoting on-going licensing rounds for the development of existing and new fields.

Agricultural production in Iraq is below its potential; consequently, Iraq currently imports at least 50 to 70 percent of its food. The worst drought of the decade exacerbated already poor production.



Iraq successfully completed its current Stand-By Arrangement (SBA) with the IMF in March. In December 2008, as a result of Iraq's satisfactory performance under the SBA, creditors granted the final 20 percent tranche of debt reduction under Iraq's agreement with the Paris Club – bringing the total Paris Club debt reduction to 80 percent. The United States forgave 100 percent of its Iraq debt.

**I. The current military mission and the diplomatic, political, economic, and military measures that are being or have been undertaken to successfully complete or support that mission.**

The United States and Iraq have entered into two agreements that reflect the two countries' mutual interests. The *Agreement between the United States of America and the Republic of Iraq On the Withdrawal of United States Forces from Iraq and the Organization of Their Activities During Their Temporary Presence in Iraq* ("Security Agreement") governs the presence and status in Iraq, and addresses the withdrawal of U.S. forces from Iraq. The *Strategic Framework Agreement for a Relationship of Friendship and Cooperation between the United States of America and the Republic of Iraq* ("Strategic Framework Agreement") governs the two countries cooperative efforts on a range of issues to include economic, rule of law, scientific, and educational endeavors.

When announcing the timeline for withdrawing American combat forces from Iraq, President Obama emphasized that the long-term solution in Iraq must be political and that decisions about the country's future must be made by the Iraqis themselves.

**(A) Efforts to convince Iraq's main communities to make the compromises necessary for a broad-based and sustainable political settlement**

The USG supports efforts by Iraq's central and provincial governments to encourage tolerance and cooperation among Iraq's various communities through the engagement of senior officials based in Washington, DC and in Iraq, as well as through regular interactions between staff at the U.S. Embassy and PRTs and Iraqi officials and community representatives. Then-U.S. Ambassador to Iraq Ryan Crocker inaugurated the new U.S. Embassy in Baghdad on January 5, stating that

the Embassy is a testament to the long-term relationship between the United States and Iraq. Vice President-elect Biden visited Iraq in his capacity as Chairman of the Senate Foreign Relations Committee on January 12, meeting with President Talabani, Prime Minister Maliki, and Foreign Minister Zebari. He reiterated U.S. support for Iraq's democratic process and stressed the importance of bilateral coordination in implementing the Strategic Framework Agreement and the Security Agreement. President Obama nominated Ambassador Christopher Hill to be the next U.S. Ambassador to Iraq, and signaled his commitment to a strong political, diplomatic, and civilian effort to help lay a foundation for lasting peace and security in Iraq.

This section discusses the January 31 provincial elections, UNAMI's work to help the GOI resolve disputed internal boundary issues, the transition of SOI to the ISF and private or public sector employment, assistance to refugees and IDPs, and PRTs and U.S. assistance programs that aim to promote accommodation among Iraq's communities.

### **Provincial Elections**

Iraq held provincial elections in 14 of its 18 provinces on January 31. They were the first provincial elections since January 2005, and were an important step toward reconciliation, as they provided an opportunity for those who boycotted the previous provincial elections (mainly Sunnis) to participate in the political process. Posters and campaign slogans were prevalent in several majority-Sunni areas, and Sunni leaders strongly encouraged voters to go to the polls. Grand Ayatollah Ali al-Sistani (Shi'a) also urged Iraqis to participate in the elections, refraining from supporting any particular political party or candidate. The January 31 elections were also the first to be largely Iraqi-led, managed, and financed, although UNAMI and the United States provided significant technical assistance. There were few reported incidents of violence. A vehicular curfew was initially announced from January 30 until February 1 but there were so few reports of violence that IHEC lifted the curfew on the evening of January 31. Voter turnout was approximately 51 percent, with the highest turnout in the Sunni areas of Anbar, Ninewa, Diyala, and Salah-ad-Din, and the lowest turnout in Baghdad. Elections in the provinces that constitute the Kurdistan Regional Government (KRG) and in Tamim Province (where Kirkuk is located) will be held separately.

Over 428,000 domestic party agents, 118,000 domestic observers, and 400 international monitors from the United States, European Union, Arab League, Turkey, Japan, and other international missions supported the GOI's efforts to ensure a transparent elections process. Reports of fraud were minimal but were

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investigated by IHEC. The overall view, held by election observers, the international community, and the Iraqis themselves, is that the elections were successful.

PRTs played a key role in preparing local communities for provincial elections. As of March, PRTs in Iraq included approximately 800 civilian and military personnel working in all 18 provinces. PRTs undertook many projects aimed at improving voter education and capabilities of local Governorate Elections Offices, and providing support for election sites. Many of the projects, implemented by local Iraqi NGOs, were aimed at educating segments of the community that may not have otherwise voted. For example, the Dhi Qar PRT supported the efforts of the Shining Hope Organization to educate rural, illiterate, handicapped, and other voters from traditionally marginalized groups about the basics of voting. In Ninewa, the Provincial Council Media Office and the Journalistic Freedoms Observatory hosted a PRT-supported forum for political candidates. The forum included participants from various political groups as well as several journalists and two television stations. Topics for discussion included voting procedures and other issues relevant to the elections. Furthermore, PRTs facilitated the presence of UNAMI in the provinces and provided a valuable platform for provincial-level political engagement and support to election observers.

The Department of State's Bureau of Democracy, Human Rights, and Labor (DRL) also supported the election process through NGO partners such as the National Democratic Institute, the International Republican Institute, the International Research and Exchanges Board, the Institute for War and Peace Reporting, and American University. These programs focus on voter education, particularly targeting younger voters, members of minority communities, and women; training domestic election monitors from civil society organizations; training political parties in communication, platform and campaign development, and constituent outreach; and supporting the media's ability to report freely and comprehensively on the elections.

The United States Agency for International Development (USAID) supported technical assistance and capacity-building for IHEC, the GOI institution responsible for planning and administering Iraq's elections. USAID's assistance focused on building capacity through training and support on all aspects of the elections process. USAID worked through the PRTs to support local development of elections capacity, including the establishment of provincial elections offices,

development of electoral procedures and regulations, and design and implementation of voter education efforts.

IHEC released seat allocation results on February 19, and certified the results on March 27. Prime Minister Maliki's State of Law coalition gained a plurality of votes in nine of the 14 provinces, including Baghdad, Basrah, and much of the south. In Anbar, tribal leaders from the Awakening (Sahwa) movement won a small plurality, and the former majority party, the Iraqi Islamic Party, was the third vote-getter. Coalitions led by the Iraqi Islamic Party won in Diyala and Salah-ad-Din, and the al-Hadbaa party won an absolute majority of seats in Ninewa. Other than in Ninewa and Basrah, no single party or coalition won an outright majority of seats. Therefore, political leaders will have to rely on coalitions to select provincial council chairs and governors and to govern. The Law of Governorates Not Incorporated into a Region, or Provincial Powers Law, enacted in March 2008, took effect after the new provincial councils were elected. This law provides broad outlines of the division of power between federal and provincial authorities, and its implementation will be important in defining the shape of Iraq's system of governance.

PRTs will take the lead in engaging with newly elected provincial leadership and will advise and train these officials on planning provincial development, budget planning and execution, project management, and other critical public administration functions. NGO partners will work with the PRTs to develop the officials' ability to work with each other and respond to constituent needs. USAID's Local Governance Program –Three will provide capacity building assistance to the new provincial councils.

Elections in the provinces that constitute the KRG will be held separately, as the Provincial Elections Law did not apply to provinces that are part of a region.

Elections in Tamim province were postponed pending the report of a COR committee (the Article 23 Committee) tasked to consider (1) mechanisms for power sharing, (2) property restitution, and (3) demographics in the province. UNAMI provides technical assistance to this committee per the COR and the committee's request. A parallel committee comprised of provincial representatives has been formed and has submitted proposals to the Article 23 Committee.

### **Disputed Internal Boundaries**

Disputed internal boundaries, including in Tamim Province, remain contentious and are a source of friction within Iraq. The USG supports the

UNAMI process, which will provide non-binding proposals that can serve as the basis for formally demarcating the boundaries of disputed territories along the southern border of the KRG. UNAMI's final report is expected in April. The first report focused on the districts of Akre (Ninewa), Hamdaniya (Ninewa), Makhmour (Ninewa/Erbil), and Mandali (Diyala), and was presented to Iraqi officials in June 2008.

### **SOI Transition**

The transition of SOI into the ISF and private or public sector employment is important in advancing accommodation between Iraq's main Arab groups. Security gains, partially as a result of SOI contributions, have reduced the need for the program in its current form. The GOI agreed to transition 20 percent of the SOI to the ISF and facilitate employment for the remainder through non-security jobs and vocational training programs. In January, responsibility for SOI contracts was transferred from Coalition Forces to the GOI in several provinces, including Diyala. During the previous reporting period, the GOI began assuming responsibility for approximately 50,000 SOI members in the Baghdad area. During this reporting period, the GOI began taking control of additional SOI in Babil, Wasit, Qadisiyah, Diyala, Anbar, Tamim, Ninewa, and Salah Ad Din. Coalition Forces will continue to monitor the program.

### **Refugees and IDPs**

The number of Iraqis displaced in the region and inside Iraq remained stable during this reporting period, a trend since Fall 2007. UNHCR estimated that 80 percent of the over 2,000 families displaced as a result of October 2008 attacks against Christians in Mosul have returned to the city.

UNHCR and other humanitarian organizations report poverty among the refugee and IDP populations. A recent UNHCR report noted that some 30 percent of refugees have been identified as persons with specific needs. The International Organization for Migration February assessment reported that 44 percent of IDPs have regular access to the national food ration system. The UN launched a \$547,342,760 appeal for humanitarian assistance for displaced Iraqis in late 2008; UNHCR's portion of the appeal totals \$299,911,006. To date in FY09, the USG has contributed more than \$150 million to the UN, other international organizations, and NGOs.

The GOI, USG, and UN focus on preparing for the return of Iraqi refugees and IDPs. UNHCR estimates that 220,000 Iraqis returned to their neighborhoods, predominately to Baghdad, in 2008; approximately 11 percent of these were

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refugees. Security is the primary consideration for the displaced in choosing whether to return, followed by services, employment, ability to reclaim property, and political accommodation.

The Department of State's Bureau of Population, Refugees, and Migration worked with partner organizations, including NGOs and international organizations, to provide assistance to refugees, IDPs, and conflict victims in a wide range of areas. These include health, education, non-food items, psycho-social support, water and sanitation, creating livelihoods, and civil society development. The Bureau also supported UNHCR's emergency shelter program, its rehabilitations of homes, shops and schools, and its Protection Assistance Centers.

USAID's Office of Foreign Disaster Assistance responds to the needs of Iraq's most vulnerable internally displaced populations and returnees. Its partners this quarter conducted shelter and repair projects that allowed displaced families to return to previously damaged homes; supported water sanitation projects to improve access to clean drinking water; distributed mattresses, heaters, and clothes to poor returnees whose homes had been looted in their absence; trained personnel who conduct courses for displaced children in sports, drawing, and computer skills; and operated mobile health clinics that provided vaccinations and conducted health education sessions.

In addition to providing assistance to the displaced and preparing for returns, the USG resettles vulnerable Iraqi refugees in the United States. The USG aims to resettle at least 17,000 Iraqi refugees in FY09. To date, more than 7,750 Iraqi refugees have been resettled in the United States in FY09. The in-country refugee program is processing growing numbers of Iraqis in Baghdad who have worked on behalf of the USG or U.S.-based media and NGOs. As of March 31, 468 principal Iraqi applicants had been issued Special Immigrant Visas in FY09 under the Special Immigrant Visa category created by Congress in Section 1244 of the FY08 National Defense Authorization Act. In addition, as of March 31, 17 principal Iraqi applicants had been issued visas under the Special Immigrant Visa category for Iraqi translators and interpreters authorized by Congress under Section 1059 of the FY06 National Defense Authorization Act.

### **PRTs and U.S. Assistance Programs**

Political accommodation is an important aspect of a number of USG programs and initiatives. In addition to PRT support for efforts to educate Iraqis

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on the election process and dispatching monitors to polling sites throughout the provinces (as discussed in the section on elections above), PRTs played a key role in facilitating dialogue and interaction between various groups in support of political accommodation and reconciliation. This effort will continue in the post-election period and in the lead-up to the national elections.

PRTs frequently provide the forum where sensitive issues can be addressed. For example, in Karbala, the PRT hosted a governance conference where provincial officials, local representatives of central government ministries, senior ISF representatives, chief judges, lawyers, business representatives, and the media discussed the critical interactions among their respective groups and offices. The Ninewa PRT, through its support for Relief International, facilitated the development of a youth reconciliation project that will gather almost 150 children from five different ethnic and religious backgrounds to promote peaceful acceptance of other religions and individuals, and help the students develop an understanding of their role as citizens in a unified Iraq. In Erbil, a three-day religious tolerance conference promoted dialogue between governmental and religious leaders from different backgrounds. Kurdistan National Assembly Speaker Adnan Mufti, COR members, and provincial representatives from a number of ethnic and religious backgrounds attended.

Another valuable tool for social mobilization, grassroots democratization, and the prevention and mitigation of conflict is USAID's Community Action Program. Working directly through partner NGOs with national coverage, and in consultation with local government counterparts, the Community Action Program facilitates the creation of representative, participatory community groups to identify critical priorities and implement programs to address needs in their communities. This quarter, the program fostered direct citizen involvement in the development process by helping create 250 new community action groups. Groups such as these initiated approximately 200 community projects, including the renovation of health clinics and schools and improvements to potable water systems.

The Community Action Program also manages the Marla Ruzicka War Victims Fund, which assists innocent bystanders harmed during Coalition operations by providing medical assistance; rehabilitating destroyed homes, schools, and clinics; and helping victims generate income.

USAID's Iraq Community-based Conflict Mitigation program supports Iraqis in developing constructive approaches to mitigating community conflict and

strengthening community capacity to contribute to peace building. During the reporting period, this program engaged youth, women, and traditionally marginalized religious and ethnic groups through 106 conflict mitigation projects that encourage dialogue and create new space for Iraqis to work together in the pursuit of peace. It also provided training and technical support to the Iraqi Peace Foundation, a countrywide network of scholars, community activists, media professionals, and tribal and other local leaders.

USAID's Community Stabilization Program reduces the incentives for young Iraqi men to participate in sectarian violence and insurgent activities. The program focuses on generating short-term employment through community infrastructure and essential service projects in areas where fighting has recently ended; supporting longer-term job creation through business development programs that provide in-kind capital and training to small private enterprises damaged by violence; providing vocational training and apprenticeships; and engaging youth through sports, cultural events, and skills training. In the past quarter, specific assistance through this program included rehabilitation of a fish market in Baghdad and the completion of the Ramadi Central Library.

USAID's Iraq Legislative Strengthening Program supports the COR by strengthening its policy, legal, and regulatory underpinnings and through the establishment of a Parliamentary Development Center that organizes training and builds the capacity of COR members and staff. This quarter, the program helped the COR establish a governance arrangement for the Center. The Embassy's Constitutional and Legislative Affairs office supported the development of a legislative process tracking and management system that will enhance the productivity and efficiency of the institutions within the legislative stream and encourage collaboration across the various branches of the GOI.

The Department of State's Bureau of Democracy, Human Rights, and Labor (DRL) manages programs that seek to develop and strengthen the underlying foundations of Iraq's democratic government. These programs support elections (as discussed in the section on provincial elections above) and a strong civil society including independent media, political reconciliation, and transparent and accountable public institutions. These programs also help build the capacity of Iraqi political parties and the COR by assisting their efforts in consensus building, policy analysis, bill drafting, budgeting, constituent relations, administration, and improved oversight of executive branch agencies.



DRL and the Department of State's Office of International Women's Issues supported programs that promote women's leadership in civil society, government, and local communities. Activities focus on increasing the capacity of women's NGOs and supporting activism by women in the political, business, and social sectors. In addition to training and empowering female candidates and voters in the provincial elections, these programs have provided assistance ranging from legal and medical support to victims of gender-based violence to training on women's rights and entrepreneurship for widows in Baghdad.

Human rights programs through DRL support initiatives to train civil society, government, and NGO leaders on human rights advocacy and protection standards with a special emphasis on the protection of minorities, women, and other vulnerable members of the population. Programming focused on rule of law seeks to integrate human rights and rule of law education into training programs that reach all levels of society. Some examples of activities this quarter include supporting Iraqi Legal Assistance Centers, training Iraqi scientists on the identification of remains from mass graves, and advising officials and activists on the human rights implications of key legislation.

**(B) Engaging the international community and the region in efforts to stabilize Iraq and to forge a broad-based and sustainable political settlement**

In the period covered by this report, Iraq continued its reintegration into the region and the international community. There was a further exchange of ambassadors and high-level visits.

With the December 31, 2008 expiration of the Multi-National Force-Iraq (MNF-I) mandate under UN Security Council Resolution 1790, the GOI decided to restructure the MNF-I coalition and reduce the number of participating countries. The decision resulted from dramatic improvements in the security situation in Iraq and the increasing ability of the ISF to take responsibility for security. The GOI requested that a small group of partners remain in Iraq for specialized missions. The United States, the United Kingdom, Australia, and Romania agreed to maintain forces in MNF-I. The remainder of the coalition countries departed Iraq during this reporting period. The GOI also requested continued assistance from the North Atlantic Treaty Organization (NATO) Training Mission-Iraq (NTM-I). NTM-I complements Coalition training efforts, providing a variety of mentorship programs for the ISF. Its core contributions are institutional training for Iraqi

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military officers, gendarmerie training for the National Police, and mentoring and training in support of national command and control centers. NTM-I has trained thousands of GOI security personnel in areas such as civil and military staff training, police training, and officer and non-commissioned officer leadership training. In February, Iraq again affirmed the value of the NTM-I mission and proposed continued NATO-Iraq cooperation through at least July 31. NATO has agreed to continue its mission in Iraq in 2009 and to expand its support in areas such as navy and air force officers training, advanced forensics, and border security in response to Prime Minister Maliki's requests. As of March 31, 11 NATO countries (including the United States) and the Ukraine participate in NTM-I.

While several coalition countries have departed Iraq, some look to engage with Iraq in other ways. For example, Republic of Korea President Lee Myung-bak signed a Memorandum of Understanding on economic cooperation with Iraqi President Jalal Talabani on February 24 in Seoul. Possible areas for cooperation include oil development, infrastructure and electricity, military sales, and managerial expertise and training for Erbil Airport. President Talabani was accompanied by more than 60 Iraqi business leaders and officials.

The UN plays a significant role in supporting the ongoing development of a sovereign, stable, and self-reliant Iraq, with a just, representative, and accountable government. Most notable during this reporting period was the invaluable assistance provided to IHEC as it prepared for the January provincial elections. In Iraq, the UN's presence is overseen by UNAMI, operating under UN Security Council Resolution 1830 (which provides the mandate for UNAMI that will expire in August 2009 and is the latest in a line of such Security Council Resolutions starting in 2003).

UN Secretary-General Ban Ki-moon visited Baghdad for a second time on February 6. He praised Iraq's provincial elections and the progress made by its government and people, and met with President Talabani and Prime Minister Maliki. He noted that UNAMI is committed to supporting the GOI, including by helping with elections, disputed internal boundaries, and the Article 23 Committee, and by facilitating dialogue on revenue-sharing, federalism, and sharing of natural resources. He also said the UN will continue to work closely with the international community to promote socio-economic development through the International Compact with Iraq (ICI). After his trip, the Secretary-General said he foresees a much greater role for UN agencies in Iraq if the current positive trends continue,

that interlocutors during his visit praised the work of UN staff in Iraq, and that a number of Iraqi leaders requested that the UN further increase its activities.

The UN has over 350 international staff in Iraq, with its main base in Baghdad. Other staff are collocated with PRTs in Anbar, Basrah, Kirkuk, Najaf, Ninewa, and Salah ad Din. In this reporting period funding has been allocated for the design phase of a new permanent UN Compound in Baghdad.

Several countries, international organizations, and NGOs demonstrated their support for Iraq's democratic processes by serving as observers during the provincial elections in January. These included the Arab League, European Commission and Member States, European Parliament, Organization of Islamic Conference, and UNAMI.

On January 30, the European Commission announced a new €72.6 million package that aims to help build Iraqi capacity to provide basic services and support Iraq's most vulnerable citizens. This includes assistance to internally displaced and Iraqi refugees in Jordan and Syria, technical assistance to ministries, upgrading medical emergency services, and improving water and sanitation management. The Commission separately stated that the European Union will consider providing technical and financial support for future elections, as it did for the January 31 provincial elections. The Commission is negotiating a general "Trade and Cooperation Agreement" with the GOI, which will establish an institutional framework for economic, political, and security discussions. The seventh round of negotiations was held in February (and for the first time took place in Baghdad).

The first ever visit to Iraq by a French head of state and the first visit by a German Foreign Minister since 1987 took place during the reporting period. French President Nicolas Sarkozy and Foreign Minister Kouchner visited February 10. They pledged support for economic reconstruction and encouraged greater European involvement in maintaining stability in Iraq. German Foreign Minister Frank-Walter Steinmeier led a delegation to Baghdad February 17, and said that Germany wants to "extend a hand to the new Iraq." The German Foreign Ministry announced that it hopes to establish an economic office in Baghdad with a branch in Erbil.

Iraq participated actively in regional diplomacy during the reporting period. President Talabani led a high-level delegation to the Arab Economic and Social Development Summit in Kuwait January 19-20. Originally slated to tackle regional economic cooperation in light of the financial crisis, the meeting was

overtaken by events in Gaza. On this issue, the Iraqi delegation adopted a moderate tone. Prime Minister Maliki led the Iraqi delegation to the annual Arab Summit in Doha on March 29. There were several other visits during the reporting period. Foreign Minister Zebari visited Turkey January 23, and Turkish President Abdullah Gul visited Iraq March 23 and discussed bilateral trade matters, PKK terrorists operating in Iraq, and the dispute over Kirkuk with President Talabani and Prime Minister Maliki. This was the first visit by a Turkish head of state in over three decades. Prime Minister Maliki visited Iran on January 3, where he discussed economic cooperation, transportation, and the status of Iranians in Iraqi detention centers with President Mahmoud Ahmadinejad, Vice President Parviz Davoudi, and Supreme Leader Ayatollah Ali Khamenei. The Kuwaiti Foreign Minister visited Baghdad February 26 in the highest-level visit by a Kuwaiti official since the 1990 Iraqi invasion of Kuwait. This follows preliminary agreements between the countries over longstanding border, shared oil fields, and reparation issues. The Syrian Foreign Minister visited Baghdad March 25 for talks with Prime Minister Maliki and Foreign Minister Zebari on enhancing trade and security cooperation. And Prime Minister Maliki visited Australia in mid-March for talks with Prime Minister Kevin Rudd and other top Australian officials on economic, assistance, and security issues.

During the reporting period, the GOI posted ambassadors to Syria and Lebanon. Alaa al-Jawadi arrived in Damascus January 29 as the first Iraqi ambassador to Syria in 28 years. Omar al-Barzenji was posted to Lebanon February 13, following a seven month gap caused by the death of former Ambassador Jawad al-Hairi.

### **(C) Strengthening the capacity of Iraq's government ministries**

U.S. civilian technical assistance to Iraq focuses on strengthening the capacity of Iraqi central and local government institutions. One key area of focus is budget execution. According to the most recent data from the Ministry of Finance, the GOI spent roughly twice as much of its capital investment budget in 2008 as it did in 2007. USG efforts include collaboration between the Embassy's advisors, Public Finance Management Action Group, PRTs, and *Tatweer* advisors.

## **National**

USAID's *Tatweer* program focuses on developing human and systems capacity in key Iraqi ministries and executive offices. Although the focus is primarily national, *Tatweer* began work this quarter at the provincial level, as discussed below. The program aims to strengthen internal systems and processes, particularly concerning contract and procurement systems, budget formulation and execution, human resource management systems, project cycle management, strategic planning, and implementing the new civil service reform legislation. To ensure sustainability, the ministries and executive offices have agreed to share partial costs of *Tatweer* assistance.

The Iraqi Civil Service Committee was created to establish a Federal Civil Service Commission (per section 107 of the Constitution) that will implement a new civil service system. At the request of the GOI the *Tatweer* Civil Service Committee team has begun preparing a work plan for the implementation of civil service changes. In February, *Tatweer* gave a presentation to advisors from the Prime Minister's Office on personnel management functions and structures that will be required to implement the proposed civil service law. A number of advisors work closely with the Civil Service Committee to assist in drafting this law. The Civil Service Committee team completed a draft work plan for the pilot implementation of the elements of the proposed new law at the Ministry of Agriculture.

*Tatweer* advisors also provide mentoring and training to the Council of Ministers Secretariat. They held an initial workshop on process mapping and guidelines for developing standard operating procedures for participants from various Secretariat departments. The Secretariat agreed to establish a Monitoring and Evaluation unit that will work closely with advisors to schedule training and site visits for the unit's staff.

Corruption remains a serious concern for the United States in Iraq, as it impedes our overall efforts to strengthen the rule of law, combat crime and terrorism, and promote sustainable economic development efforts. The United States is committed to working with Iraq to ensure that the government develops stronger national anticorruption policies and prevention and enforcement capacities, and is committed to the highest level of integrity and good governance in the GOI.

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In preparation for meeting its obligations under the UN Convention against Corruption (UNCAC), the GOI participated in a U.S.-funded, UN Development Program-led workshop in Amman in January on how to do a self-assessment regarding the current status of its compliance with UNCAC requirements. The GOI, with the UN Office on Drugs and Crime (UNODC), is moving ahead under another USG-funded program with its development of a Gap Analysis and Statistical Survey. Work also is ongoing on a comprehensive anti-corruption law; draft laws to change the jurisdiction, structure, responsibilities, and authorities of the Commission on Integrity, Inspectors General, and Board of Supreme Audit remain with the Shura Council for review prior to re-submission to the COR. The Joint Anti-Corruption Council is preparing a new national anti-corruption strategy for 2009 (to replace the 18-Point Strategy of 2008), and the UN is working with the GOI to incorporate its findings from the Gap Analysis and the Survey into the new strategy. On February 22, the COR approved one of the milestones of the UNCAC, a Federal Civil Service Commission Law that will advance two of the four UNCAC requirements concerning civil service law and the professionalization of Iraq's civil service employees. In addition, the draft of a follow-up Civil Service Law is currently in circulation for review among various GOI ministries and institutions.

On March 1, the GOI announced the launch of a national anti-bribery campaign with heavy emphasis on public outreach and education. In the arena of international cooperation, the GOI currently cooperates with the Department of Justice in an international bribery investigation involving a U.S. company and Iraqi government officials. On March 17, the Commission on Integrity formally notified UNODC of Iraq's interest in joining the Stolen Asset Recovery Initiative, a joint UNODC/World Bank Group initiative aimed at supporting developing countries' efforts to recover public assets obtained through corruption and other criminal activities and transferred abroad. Some aspects of Iraq's anti-corruption regime have not yet been adequately addressed by donors, e.g., education, local government, and regulatory reform, but new USG and other donor programs to address gaps are under consideration.

As part of Embassy Baghdad's Anti-Corruption Coordinator's Office's public outreach program, the Coordinator conducts interviews with the local and international media. To coordinate civilian and military USG anti-corruption efforts in Iraq, the Office has resumed monthly meetings of the Mission's Anti-Corruption Working Group.

The Iraq Transition Assistance Office (ITAO) manages capacity-development programs aimed at helping central government ministries improve their capacity to provide effective and equitable essential services. These programs include assistance to Iraq's electricity sector that seeks to improve the core competencies of critical personnel and boost output. This assistance includes supporting the GOI in drafting modern electricity legislation that will establish a regulatory framework for a rational tariff system, training Iraqi personnel in load forecasting and system management, and supporting ministerial capacity to execute capital budgets.

Through international engineering and law consultancies, ITAO helps the GOI spend its own resources to complete infrastructure and acquire equipment needed to strengthen essential services. Ministries have embedded their experts in these consultancies to gain expertise and may seek this assistance at their own expense. In an encouraging development, the GOI recently began to fund an operations and maintenance program for Iraq's electrical generation sector, after a similar USG-funded program ended. The GOI's decision to take up this activity is an important milestone in its growing ability to sustain essential service infrastructure.

This quarter, the Public Finance Management Action Group (PFMAG) supported the development of a curriculum on the issuance and execution of letters of credit. PFMAG established a budget execution service center that provides technical advice and liaison services to government spending units.

The Embassy, through advisors and attachés, continues to assist the ministries responsible for the delivery of essential services. This quarter, the Ministry of Public Works and Water Resources has received training in operations and maintenance, and the Ministry of Health continues to receive technical assistance on procurement and management capabilities of the drug procurement system. Finally, the Transportation Attaché oversees a program with the Ministry of Transportation that trains Iraqi air traffic controllers.

USAID's Economic Governance program, now in its second phase, assists the Iraqi government in creating an economic environment that encourages investment, is transparent, and underpins a market-based economy. The program focuses on building capacity within the GOI through the implementation of a financial management system and other systems in key national ministries. During the reporting period, the program trained Ministry of Finance administrators and end-users in using the Iraq Financial Management System, and assisted in the

development and implementation of management applications for Iraq's Social Safety Net and pension reform programs.

The United States also supports capacity building in the rule of law. These programs focus in part on the judiciary, including efforts to improve judicial security, education, and administrative capacity; the detention and corrections system, to which the Embassy provides training and advisory assistance; and the Iraqi police. (U.S. training of the Iraqi civilian police is currently conducted by Coalition Forces, NATO, and the Multi-National Security Transition Command – Iraq (MNSTC-I). The State Department uses a portion of U.S. military assistance funds to furnish civilian police advisors to Iraqi police forces.)

This quarter, the USG supported the Higher Judicial Council's efforts to assist the GOI in drafting and adopting legislation, including on the penal and criminal codes. The Higher Judicial Council launched a U.S.-supported case-tracking application that will allow the exchange of essential information with other rule-of-law agencies. Finally, the U.S. Marshals Service developed and provided "statements of requirements" for upgrades to several courthouses, including several that had previously been deemed unsuitable for upgrades.

The USG also provides advisory assistance to the Iraqi Corrections Service, as well as more on-the-job and formal training for hundreds of correctional officers. The Iraqi Corrections Service launched and conducted training on a U.S.-supported prisoner tracking system, capable of incorporating biometrics, pending charges, and sentencing data. The construction of a 3,000-bed prison facility at Chamchamal, begun in December 2007, was successfully completed this quarter, including the turnover of control to the Ministry of Justice, although furnishing and staffing needs continue. The USG also performs assessments of pre-trial detention facilities and provides technical assistance for improving detention conditions.

USAID's private sector agribusiness development project (*Inma*) promotes increased agricultural production, productivity, and employment in Iraq by supporting the formation and growth of agribusiness firms. These efforts include training, improvements to market systems, and introduction of new technologies. This quarter, *Inma* supported the importation and delivery of 60,000 trees and vines from Californian nurseries to create demonstration farms in three provinces, a major milestone in invigorating Iraq's orchard and vineyard industry. The program also made a \$3 million grant in loan capital for a microfinance institution that will fund approximately 900 agribusiness loans in several northern provinces as part of broader PRT economic development programs.



The USG also supports Iraqi humanitarian de-mining efforts and small arms destruction programs. The Iraq Mine/Unexploded Ordnance Clearance Organization, an Iraqi NGO, has returned more than 606,000 square meters of land to the people, provided mine risk education to 930 people, and destroyed more than 38,000 small arms and light weapons. This quarter, the Mine Advisory Group deployed several teams that destroyed more than 10,000 small arms and light weapons, identified additional dangerous areas, and conducted community assessments in five villages in northern Iraq.

### **Provincial**

Much U.S. technical assistance focuses on developing the capacity of Iraq's sub-national governments and the provincial branches of the central government's ministries. PRTs coordinate these diverse efforts, focusing on governance, rule of law, and economic development. PRTs assist the Iraqis to strengthen their governance structures and procedures, such as facilitating coordination between Iraqi provincial and national officials on planning and budget execution.

Provincial Reconstruction Development Councils (PRDCs) are Iraqi-led organizations that work with PRTs to identify and execute priority projects that strengthen the ability of provincial governments to deliver essential services and development projects to their communities. This quarter, PRDC programs developed the ability of provincial engineering and technical staffs to collaborate with elected officials to prioritize infrastructure needs, design projects appropriate to those needs, and manage projects. PRDC programs also provided training for key personnel in Salah ad Din provincial agencies in the management and maintenance of essential infrastructure in water, power, construction, and geographic information systems. Programs in this category focus on strengthening essential service ministries through operations and maintenance training programs for primarily technician-level operators at major electricity power plants, water and wastewater plants, and select health, transportation, and communication facilities. Trainings were held on preventive maintenance planning and scheduling, inventory control systems, spare parts forecasts and procurement, apprenticeship and certification programs with existing Iraqi technical institutes, and, in the power sector, planning for annual maintenance outages.

PRTs also work directly on capacity-development with Quick Response Funds (QRF). This program provides resources to increase the capacity of Iraqi local government and civil society organizations working in agriculture, education, business development, the rule of law, and women's programs, among other areas.

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Projects focus on strengthening the ability of Iraqi institutions to provide essential services to the community. In this quarter, PRTs used some QRF resources to build local capacity for performing voter outreach and voter education prior to January's provincial elections.

This quarter, the *Tatweer* program entered a new phase of assistance, providing targeted technical assistance to the provincial directorates of national ministries that deliver services and execute capital projects at the provincial level. This technical assistance includes a focus on improving processes of communication among the ministry headquarters, provincial directorates, and provincial councils and governors. Given the Ministry of Planning's utmost importance to the capital budget approval cycle, *Tatweer* is helping its staff conduct rigorous analysis of government investment projects currently approved by the ministry. *Tatweer* provincial programs are fully integrated into PRT capacity building efforts and are administered through the PRTs.

USAID's Local Governance Program, currently in its third phase, has worked as part of the PRT program to assist elected local officials in 11 of Iraq's provinces in serving the needs of their constituencies. The program offers training and assistance to help newly elected provincial governors and council members better plan for public investment and improve oversight over service delivery. This quarter, the Local Governance Program launched a nationwide orientation training to familiarize governors and councils with the new Provincial Powers Law and with central government guidelines for the procurement and execution of capital projects.

USAID's Provincial Economic Growth program (*Tijara*) stimulates growth in Iraq's private sector by increasing access to finance, strengthening business development services, and improving GOI trade policy-making capacity. This quarter, the program assisted in the establishment of the Iraqi Company for Small and Medium Enterprise Finance to accelerate credit availability at attractive rates to small and medium-size enterprises. This entity will manage a special purpose lending facility comprised of a consortium of commercial banks, funded initially with a \$6 million USAID grant and a \$250,000 initial contribution from participating commercial Iraqi banks. *Tijara* also assisted the GOI with its World Trade Organization accession bid. Moreover, the *Tijara* program worked through the PRTs at the provincial level to support the local microfinance industry.

Finally, much of the capacity building work described under the national heading above takes place or has implications in the provinces. As reported above,

U.S. assistance to the rule of law sector included extensive work throughout Iraq's provinces, with civilian-focused capacity building conducted predominantly by rule of law advisers working on the PRTs. This included support to courthouses, corrections facilities, and other legal institutions across Iraq.

#### **(D) Accelerating the delivery of basic services**

U.S. assistance has also focused on helping Iraq sustain U.S. and Iraqi investments. This quarter, training and technical assistance programs have continued across a broad spectrum of essential services infrastructure.

##### **Electricity**

Average daily electricity supply for January-March, 6062MW, was 42 percent above the 4261MW generated in the same period in 2008. This increase was due to additional generation units coming online, improved performance of existing plants due to better operation and maintenance practices acquired through our capacity-building programs, and fewer interruptions of the fuel supply and fewer forced outages. As a result of the improved security situation there have been no interdictions to major power lines since spring 2008, and most major lines have been returned to service, yielding a more stable grid. The Minister of Electricity is also attempting to enforce better demand management practices regarding allocations at the provincial substation level. These factors have prevented nationwide or prolonged blackouts since May 2008.

Two major existing projects to expand electrical generating capacity were completed this quarter.

##### **Water and Sewage**

While work on all major USG-funded water supply projects has been completed, the USG provides training to improve the GOI's ability to operate and maintain these plants. The remaining major sewage project, which will serve Fallujah, is currently scheduled for completion in September 2009.

##### **Health**

The Ministry of Health is implementing its health sector strategic plan and encourages increased private investment in the sector. The GOI reports that medical professionals are returning to Iraq in increasing numbers.

## **Agriculture**

The latest figures from Iraq's statistical agency indicate that the Iraqi agricultural sector produces about 12 percent of Iraq's GDP and employs about 12 percent of the work force. Other sources cite a lower percent of GDP of 10 percent and work force percentages as high as 25 percent. Agriculture is the largest contributor to GDP after oil, and second only to the public sector as the largest source of employment. Agricultural production, however, remains below its potential due to restrictive government policies and interventions in the market, drought, outdated technology and infrastructure, insufficient credit and private capital, and lingering security issues. Consequently, Iraq imports about 50 to 70 percent of its food. Forecasts for the 2008-9 wheat and barley harvest, the largest crops and staples of the Iraqi diet, show only moderate improvement from the drought-impacted 2007-8 harvest. Rice production is uncertain, as the Ministry of Water Resources may maintain reduced water allocations due to low water reservoir levels.

## **Telecommunications**

The wireless telecommunications sector has grown rapidly since 2003 and is an exemplar of private investment in Iraq's economic development. The three licensed nationwide cell phone providers now claim over 17.7 million subscribers, which represents nearly 100 percent of the subscriber market and about 60 percent of the population, compared to less than 3 percent of the subscriber market and less than 1.5 percent of the population in early 2003. Almost all of this growth has come from private investment. Despite continuing regulatory uncertainties and poor, unreliable service, private investment and subscriber growth remain strong, though slowing. However, recent public statements by Iraqi officials have raised concerns that strong, fair, and transparent regulation, implemented by an independent regulator, may not be established soon. Indications of increased government control are worrisome, as this could stifle competition and limit economic growth. Internet connectivity is improving, but is still not widely available and is often slow and unreliable.

## **Infrastructure Security**

The Infrastructure Security Program has helped Iraq secure critical infrastructure related to its oil, water, and electricity sectors, with assistance ranging from hardening physical infrastructure to training and vetting security forces. This quarter, the program completed oil pipeline exclusion zones between Bayji and Kirkuk, Doura and Hillah, and Bayji and Baghdad. The program also completed key projects to harden critical electrical transmission lines and electrical

substations. This assistance improves the reliability of essential service delivery throughout Iraq.

**(E) Securing the delivery of pledged economic assistance from the international community and additional pledges of assistance**

The members of the international donor community look to the ICI as a framework for directing their assistance to Iraq. Donors and the GOI have agreed to be guided by the principles of the Paris Declaration on Aid Effectiveness for host country ownership of the assistance process accenting full transparency and accountability. Iraq is making progress toward meeting its goals under the ICI, and, with the help of Iraq's ICI partners, many outstanding creditors have provided additional financial and technical assistance, soft loans, and signed debt relief agreements. Moreover, substantial progress has been made on increasing the number of new bilateral cooperation agreements for economic development, technical cooperation, trade, and investment.

The International Reconstruction Fund Facility for Iraq (IRFFI), the principal multilateral vehicle for providing assistance to Iraq since 2004, has committed the bulk of its resources and will cease the initiation of new projects at the end of 2010. Some new and ongoing projects will take longer to complete, such that the termination of the IRFFI International Trust Funds (operated by the UN Development Group and the World Bank) will occur at the end of 2013. As the IRFFI programs wind down, the activities of IRFFI's main operators (the UN agencies and the World Bank) will continue on their own in support of Iraqi economic and institutional development.

On March 10, the World Bank released its Third Interim Strategy Note, which describes in considerable detail what the World Bank plans to do in Iraq through 2011. While winding down its IRFFI activities, the World Bank will carry on its activities in support of Iraq's economic reconstruction and recovery, as guided by its recently completed national House Hold Survey of the needs of the Iraqi people. It will carry through on its Public Resources Management program, emphasizing best practices for financial management and good governance. The Interim Strategy Note anticipates strong new initiatives to spur private sector-led growth including performing a comprehensive analysis of the current state of Iraq's private sector, a review of the status and potential for privatization of more than 100 existing state owned enterprises, and the possible uses and effectiveness of programs offered by the International Finance Corporation and the Multilateral

Investment Guarantee Agencies (both of which are part of the World Bank Group). The new Interim Strategy Note also offers \$500 million in new credit lines from the World Bank's International Bank for Reconstruction and Development.

The total of assistance pledges from non-U.S. sources (countries and institutions) is now \$17 billion. This represents a combination of \$5.26 billion in pledges of financial and technical assistance and \$11.75 billion in pledges of soft loans or potential loan facilities that under certain circumstances would be available to Iraq. International donors have committed more than \$6 billion in financial or technical assistance, about \$740 million more than total pledges for such assistance. Japan is the largest donor after the United States, with over \$5 billion in pledges: \$1.6 billion in grants and \$3.5 billion in soft loans (of which \$2.5 billion has been committed). The European Commission is the third largest donor with about \$1.49 billion in assistance commitments since 2003, including a new commitment of about \$105 million for 2009. The United Kingdom, Italy, Spain, Denmark, Canada, Australia, and Korea also maintain large assistance programs. Anecdotal reports suggest that soft loan assistance from Iran is on the rise and may now exceed \$300 million against an ICI pledge for soft loans of \$1 billion.

The United Arab Emirates offered to cancel an estimated \$7 billion in Saddam-era debt and is reviewing a formal bilateral agreement prepared by Iraq's debt lawyers to finalize the debt cancellation. Tunisia agreed to forgive about \$100 million in debt in return for a cash payment equal to 10.25 percent of that amount. Greece reportedly cancelled \$259 million in debt in return for a cash payment of 10.25 percent. Morocco is also said to be near agreement on reducing debt estimated at between \$12 million and \$22 million. Assuming the agreement with the United Arab Emirates is finalized, Iraq's debt will have been reduced by approximately \$25.3 billion since the ICI was launched in May 2007. This includes reductions of about \$12 billion from Russia, \$3.2 billion from the former Yugoslav republics, and \$2.3 billion from Bulgaria. In total Iraq has, or is near having, reached agreement to reduce \$90 billion of its Saddam-era debt to only about \$11.1 billion to be repaid over time. Iraq completely settled some of the smaller debt amounts with cash payments totaling about \$1.2 billion. Included in the total debt settled was about \$21 billion owed on commercial contracts, much of which has been settled by the issuance of internationally traded Iraqi bonds that have repayment terms patterned after Iraq's Paris Club agreement. Iraq's remaining unsettled debt amounts to between \$49 billion and \$77 billion; much of this difference is explained by the fact that Iraq and Saudi Arabia have not yet

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agreed upon the amount owed, estimates vary from between about \$16 billion to \$39 billion.

In line with the ICI objective of reintegrating Iraq into the global economy, an increasing number of countries are developing bilateral economic relationships. The United States, Russia, Iran, and Germany all have formal economic cooperation agreements with Iraq, and Japan and Iraq recently signed a declaration of intent to reach a comprehensive economic accord. Korea and Iraq signed a Memorandum of Understanding expressing similar intentions. The European Union and Iraq have held seven rounds of talks for a "Trade and Cooperation Agreement." France has increased its engagement with Iraq on economic issues, most notably including a recent visit to Iraq by French President Sarkozy. Turkey and Iraq are discussing agreements in areas such as transportation and energy.

The UN Country Team (comprising representatives of 16 UN organizations) and Iraq signed a formal agreement in August 2008 laying out their joint development strategy through 2010. In December 2008, the IMF approved Iraq's progress under its SBA, triggering the final 20 percent of a total 80 percent of debt reduction agreed with the Paris Club. The Organization for Economic Cooperation and Development also has active programs with Iraq.

By the end of December 2008, the World Bank and the UN Development Group Iraqi Trust Funds had collected a total of \$1.85 billion in IRFFI donor commitments. The World Bank Trust Fund was composed of \$558 million in resources, including \$64 million in interest earnings. Total allocations for projects are about \$516 million, with approximately \$17 million available for small projects in the future. The UN Development Group Iraqi Trust Fund has collected a total of \$1.33 billion, of which at least \$1.1 billion had been approved for 141 projects and joint programs. The UN's Strategy for Iraqi Assistance aims to accelerate the pace of project approvals and completions, as well as the commitment and disbursement of funds, while aligning all UN programs with three priority themes: decentralization, public sector reform, and public financial management.

The Donors Committee, which oversees the IRFFI, met in Naples, Italy on February 18. Having substantially accomplished its main missions for Iraqi reconstruction and relief, the IRFFI will stop collecting new donor contributions by mid-2009, complete planning for new projects by the end of 2009, and finalize any new contracts by the end of 2010. All projects are expected to be completed with final disbursements made by the end of 2013 when the Trust Funds of the IRFFI

will be formally terminated. At the February meeting, Denmark replaced Italy as the Chair of the Donors Committee.

The Donors Committee received a comprehensive report on the conduct of the IRFFI from 2003 to 2008 from a Norwegian consulting firm that specializes in evaluating multi-donor trust funds, SCANTEAM. Their independent assessment assigned generally favorable ratings for the appropriateness, efficiency, and effectiveness of the IRFFI, finding that the IRFFI projects contributed tangibly to improving the lives of many Iraqi citizens.

International donor coordination will continue through meetings of the new Iraqi Partners Forum, co-chaired by UNAMI and the World Bank in Baghdad.

**(F) Training Iraqi security forces and transferring additional security responsibilities to those forces and the government of Iraq**

As of December 31, 2008, Iraq's security forces numbered approximately 615,000 in the Ministry of Interior (MOI), Ministry of Defense (MOD), and the Iraqi National Counter-Terrorism Force.

The Coalition's four areas of focus to help develop the MOD and MOI are: supporting force generation and force replenishment; improving the proficiency and professionalism of the Iraqi forces; building logistic, sustainment, and training capacities; and developing ministerial and institutional capacity. The four near-term areas of emphasis, through mid-2009, are: ensuring Iraqi forces improve in logistics, maintenance, and life support; ensuring that the size, capability, professionalism, and leadership of the ISF enable assumption of additional security roles from Coalition Forces; enhancing the capabilities of Iraqi Special Operations Forces and Counter-Terrorism Forces; and ensuring Iraqi Air Force and Navy growth stay on track.

Accelerating the growth of logistics-capable units and pursuing enabling capabilities is a top priority, as is the effort to expand ministerial capacity within the MOD and MOI. MNSTC-I advisory teams work closely with the MOD and MOI to improve the accuracy and frequency of their personnel reporting. The number of MOI personnel assigned exceeds personnel trained, as rapid hiring in 2007 and 2008 outstripped training center capacity and throughput. Also, as additional missions are transferred to the MOI (e.g., Oil Police, Electricity Police, and Facilities Protection Service), personnel with limited training and inadequate



equipment transferred to MOI create a backlog of untrained and uncertified personnel. Ongoing efforts to expand MOI training throughput, including training instructors and building infrastructure, will help remedy the training shortfall, while the focus on procurement, distribution, and sustainment will address equipping issues over time.

For further details on ISF capabilities and progress, refer to the Department of Defense's quarterly report to Congress titled "Measuring Stability and Security in Iraq," [http://www.defenselink.mil/home/features/Iraq\\_Reports/index.html](http://www.defenselink.mil/home/features/Iraq_Reports/index.html).

## **II. Whether the Iraqis have made the compromises necessary to achieve the broad-based and sustainable political settlement that is essential for defeating the insurgency in Iraq.**

### **(A) Enacting a broadly-accepted hydrocarbon law that equitably shares revenue among all Iraqis**

Despite lack of progress on an oil revenues law, the GOI distributes funds through the national budget to the provinces based on population. It is based on earlier estimates of population until a national census is held. Funds are allocated directly to provincial governments for capital investment, reconstruction, and essential services based on provincial population. Non-KRG provinces have direct spending authority over more than \$2 billion allocated through the 2009 budget, and received more than \$11 billion in 2007 and 2008. The KRG receives a 17 percent share of non-sovereign expenditures. Political disagreements are preventing progress on the four-law package that includes a national hydrocarbon framework law, a revenue sharing law, the law on reconstitution of the national oil company, and the law to restructure the federal Ministry of Oil. None of the bills are before the COR at this time, since all are still with the Council of Ministers. A draft of the hydrocarbon law was submitted to the COR in October 2008, but was returned to the Council of Ministers.

As the driver of the Iraqi economy, progress on developing the hydrocarbons sector is a national priority, especially in the face of low oil prices. The Ministry of Oil has launched one bid round and announced a second bid round to bring foreign firms into Iraq to develop oil and gas fields; the first contracts are expected to be signed in mid-2009. Following a symposium on oil production called by Prime Minister Maliki in late February, the GOI is preparing a number of steps to restructure management of the oil industry, with a view to reducing bureaucratic

barriers that are widely seen as having prevented state-owned entities from moving more quickly to confront declining production levels. There has not been noticeable progress in resolving tensions between the GOI and KRG over oil development during the reporting period.

**(B) Adopting laws necessary for the conduct of provincial and local elections, taking steps to implement such laws, and setting a schedule to conduct provincial and local elections**

Iraq held provincial elections in 14 of its 18 provinces on January 31. Elections were not held in Dohuk, Erbil, or Sulamaniya, as they are part of the KRG and the Provincial Elections Law did not apply to provinces that are part of a region.

Provincial elections also were not held in Tamim Province. Article 23 of the Provincial Elections Law stipulates that a committee comprising COR representatives of the Kurdish, Turkoman, and Arab communities must explore power-sharing mechanisms, develop a restitution plan for ethnic groups forcibly displaced from their homes or businesses, and review the demographic shifts in the province. When the committee has submitted its report to the COR, the COR will need to enact a separate elections law for Tamim.

The Kurdistan National Assembly passed a regional elections law on March 25. The law does not specify a date, but requires elections be held 60 days before or after the June 4, 2009 expiration of the sitting regional council.

**(C) Reforming current laws governing the de-Baathification process in a manner that encourages national reconciliation**

The GOI passed the Law on Accountability and Justice (also known as de-Baathification reform) in February 2008. Iraq's leaders pledged to pursue implementation that would bolster reconciliation efforts. The law would allow an estimated 38,000 former Ba'ath members to return to government employment.

In 2003, Coalition Provisional Authority Order No. 1 abolished the Ba'ath Party and removed the top four levels of Ba'ath Party members from government positions; the order also banned them from future government service. Although the implementation procedures for the Accountability and Justice Law have yet to

be determined, the law allows former fourth level (firqa) Ba'ath Party members to return to government employment, with some exceptions. The law also creates a limited appeals process by creating a committee of judges to adjudicate cases.

In addition to the Accountability and Justice Law, December 2007 amendments to the Unified Pension Law restored pension rights to former civil servants and military officials without regard to former party affiliation.

**(D) Amending the Constitution of Iraq in a manner that encourages national reconciliation**

The COR Committee on Constitutional Amendments has been tasked with analyzing the current constitution and suggesting necessary amendments. The committee has to date made little visible progress. Although the Region Formation Law and the Provincial Powers Law reduce the urgency for some aspects of constitutional review, their implementation remains uncertain, and discussions on other fundamental disagreements over constitutional interpretation appear deadlocked.

**(E) Allocation and expenditure of Iraqi revenues for reconstruction projects, including delivery of essential services, and implementing such reconstruction projects on an equitable basis**

GOI ministries and provincial governments are allocating and spending more of their own money on reconstruction projects, although there are still some impediments to full spending. The most recent Ministry of Finance data indicate that through November 2008, the GOI spent roughly \$6.4 billion of its 2008 reconstruction funds at all levels of government. Additionally, spending units signed contracts and funded letters of credit for capital purchases that will be delivered in 2009. This represents substantial improvement; the GOI spent roughly the same amount on reconstruction in 11 months in 2008 as it spent on reconstruction in 2005 (\$1.4 billion), 2006 (\$1.6 billion), and 2007 (\$3.4 billion) combined. Of the overall amount spent on reconstruction through November 2008, provincial governments (excluding the KRG provinces) spent roughly \$1.3 billion, which is substantially higher than the amount provincial governments spent in all of 2007 (roughly \$650 million). The GOI has greatly increased allocation and expenditure for delivery of essential services. In the last two weeks of 2008 alone, the Ministry of Electricity executed two letters of credit for gas turbines totaling

nearly \$5 billion, much of the funding for which came from the budgets of ministries that were unable to execute their 2008 budgets. It expects to receive an additional \$2.4 billion for capital expenditures in 2009. Its ambitious schedule for reconstruction in the sector will require at least equal expenditures for the next three years. Also this quarter, the Ministry of Water Resources received bids for its billion-dollar rehabilitation of Mosul Dam.

The 2009 budget, passed on March 5, includes a \$12.7 billion capital reconstruction budget, \$2.1 billion of which is allocated directly to provincial governments. This represents a decrease in the capital budget from 2008 because of persistently low oil prices, and therefore reduced government revenue.

A variety of factors affect budget execution across ministries and provinces, including bureaucratic bottlenecks, unclear rules and regulations, technical capacity, security, and absorption capacity. USG civilian and military personnel work continuously with ministry and provincial officials to address these issues through targeted assistance and capacity building programs.

**(F) Making significant efforts to plan and implement disarmament, demobilization, and reintegration (DDR) programs relating to Iraqi militias**

The transfer of responsibility for the SOI program from Coalition Forces to the GOI has proceeded smoothly thus far, largely as a result of the USG shepherding the process. On October 1, 2008, the GOI assumed responsibility for approximately 50,000 SOI in the Baghdad area. Since then, the GOI has taken control of SOI programs in Diyala, Babil, Wasit, Qadisiyah, Anbar, Salah ad Din, Tamim, and Ninewa provinces, marking an important step toward national reconciliation. As of April 1, all of Iraq's SOI members had been transferred to GOI responsibility. Of the 94,000 SOI members remaining as of October 1, 2008, the GOI pledged that 20 percent will be transitioned to the ISF, with the rest to be vetted for other civil servant or non-government positions. Since October 2008, over 6,000 of these have transitioned to the ISF, other ministries, or other non-security education, training, and jobs programs. Long-term plans include increased education, training, and private sector employment opportunities, but much work remains to be done to make these opportunities a reality. Although these steps have been encouraging, successfully transitioning SOI to permanent employment remains a long-term challenge for the GOI, particularly in light of recent budget concerns. Continued USG participation in this process is important for its success.

**III. A detailed description of the Joint Campaign Plan, or any subsequent revisions, updates, or documents that replace or supersede the Joint Campaign Plan, including goals, phases, or other milestones contained in the Joint Campaign Plan.**

A Joint Campaign Plan (JCP) Assessment Team completed a survey of Iraq in October 2008. Its recommendations were incorporated into a revised JCP, completed in December 2008. The JCP is continually reviewed and updated based on guidance from the Commanding General of MNF-I and the Ambassador to Iraq, who ensure the plan is consistent with U.S. policy objectives.

The JCP is the combined U.S. Embassy Baghdad-MNF-I strategy for Iraq, providing the requisite guidance, direction, and focus for successful accomplishment of the mission in Iraq now and in the future.

The plan integrates efforts along five main lines of operations – political, economic, diplomatic, rule of law, and security – and outlines the conditions, objective, tasks, and measures of effectiveness applicable to each.

The JCP recognizes the imperative of enhancing security and protecting the Iraqi population, and underscores the importance of helping Iraqis establish legitimate, representative governance at both the national and provincial levels.

**(A) An explanation of conditions required to move through phases of the Joint Campaign Plan, in particular those conditions that must be met in order to provide for the transition of additional security responsibility to the Iraqi Security Forces, and the measurements used to determine progress**

The JCP outlines the conditions that must be met in each line of operation in order to achieve the campaign goals and the steady state goal. The JCP acknowledges that efforts must be integrated with the GOI, and the new version accounts for the requirements of the USG-GOI Security Agreement and Strategic Framework Agreement. It also recognizes that transition of security responsibility to the GOI must take place at a responsible rate, based on existing security threats and conditions, the GOI's capacity to assume further responsibility to protect its population, and policy guidance from Washington.

The JCP is a theater strategy and campaign plan for Iraq, combined into one cohesive document. The document is sufficiently fixed in time to be assessed, yet flexible enough to be periodically adjusted in a fluid and evolving security environment. It divides the campaign into three stages, linked to the broad timelines in the Security Agreement and significant political events in Iraq, such as national elections. It sets goals and conditions to be achieved in each stage. The Ambassador and Commanding General periodically assess progress against these goals.

The JCP has a number of specific classified goals and conditions related to the ISF. Stage 1 concerns building the appropriate capacity for the ISF, Stage 2 consolidates and establishes that capacity, and Stage 3 is achieved when the ISF is a fully established and effective entity capable of working without external support.

**(B) An assessment of which conditions in the Joint Campaign Plan have been achieved and which conditions have not been achieved. The assessment of those conditions that have not been achieved shall include a discussion of the factors that have precluded progress**

The JCP outlines efforts to build government capacity, deliver essential services, improve local economies, institute rule of law, and implement reconciliation initiatives among Iraq's constituencies, while continuing to improve security conditions throughout the country. The JCP also covers the overall situation in Iraq, assumptions and risks, as well as campaign management and assessment tools.

Intended to be a "living" document, the JCP will remain current amidst a rapidly changing environment through a continuous assessment process. These assessments, using the informed input of diplomats, senior civilian and military leaders, members of the international community, and – on occasion – national security experts from academia, will form the basis for subsequent revisions, changes, or updates to the strategy.

**(C) A description of any companion or equivalent plan of the Government of Iraq used to measure progress for Iraqi Security Forces undertaking joint operations with Coalition Forces**

The Iraqi Joint Headquarters has taken the lead in evaluating the Iraqi Joint Forces by presenting its Transition Readiness Assessment to the MOD during this reporting period. Senior leaders from the Joint Headquarters and MOD assessed the training capability of the Iraqi forces under the MOD. The Joint Headquarters identified the most significant challenges facing the joint forces, which are largely personnel-related due to the accelerated growth in the security forces, and the improvements needed in sustainment, logistics, and enabling capabilities. Equipment challenges brought to light in this Transition Readiness Assessment relate to the centralized decision-making process and lack of direction and decisions from the MOD.

Between August and October 2008, the Iraqi Joint Forces developed a Quarterly Readiness and Strategic Review process to monitor, audit, and record military transition status and operational readiness capability. It combines a readiness evaluation of the Iraqi Army, Iraqi Air Force, and Iraqi Navy during the previous quarter and a strategic review of training, manning, logistics, operations, and infrastructure. The Joint Headquarters compiled the first Quarterly Readiness and Strategic Review with MOD involvement and endorsement for presentation to the Defense Minister in October 2008.

In light of the Security Agreement implementation on January 1, updated information on the Iraqi Joint Forces Quarterly Readiness and Strategic Reviews are provided at the discretion of the GOI. No further information was provided to MNF-I during the reporting period.

**IV. To the extent that these conditions are not covered under paragraph III, the following should also be addressed:**

**(A) The number of battalions of the Iraqi Armed Forces that must be able to operate independently or to take the lead in counter-insurgency operations and the defense of Iraq's territory**

The MOD has approved a force structure for counterinsurgency that includes 14 Army divisions (13 infantry and one mechanized) and support forces; a Navy of 2,700 personnel, including two marine battalions; and an Air Force of 6,000

personnel. Additionally, the Iraqi National Counter-Terrorism Force, with projected end strength of 5,400, contributes significantly to the counterinsurgency effort. Further modification in the military force structure appears likely, given the need to develop logistics units and enabling capabilities for tactical units such as engineer, bomb disposal, medical evacuation, signal (communications), and intelligence, surveillance, and reconnaissance. Total ISF personnel requirements, including the National Police and local Iraqi Police, are expected to grow as large as 646,000 by 2010, but challenges remain. The MOI struggles with training throughput focused on reduction of the surge-induced backlog due to generally poor facilities and a lack of qualified instructors, while the MOD faces budget constraints. These factors will delay achieving the desired 2009 force levels required for the present planned structure.

Iraqi Army combat battalions are increasing in both number and capability. There are 165 Iraqi Army combat battalions conducting operations, of which 125 are in the lead. There are four additional newly formed battalions. Five Iraqi Special Operations battalions are conducting operations, and five Iraqi Army infrastructure battalions are conducting security support operations. The Iraqi Air Force is expanding its operational capability as the Iraqi Air Operations Center now provides scheduling, command and control, and execution for over 350 operational and training sorties per week.

The Iraqi Navy is strengthening its ability to patrol Iraqi territorial waters, provide for point-defense of Iraq's two offshore oil platforms, and provide security for the port and towns of Umm Qasr and Az Zubayr. The Iraqi Navy will take responsibility for "point" defense of one of the two major oil platforms in the coming months. The Iraqi Navy conducts an average of 42 independent patrols and 35 commercial ship boardings per week, and maintains an in-commission capability rate of 80 percent of the Iraqi fleet.

**(B) The number of Iraqi special police units that must be able to operate independently or to take the lead in maintaining law and order in fighting the insurgency**

The National Police is improving the effectiveness of its units. During this reporting period, 42 National Police units were assessed, and five units were in force generation (these units will be assessed once they complete forming and are assigned areas of responsibility). Based on the improvement in capability and effectiveness of the National Police, Coalition advisors have shifted their focus



from battalion-level advising to brigade-level and above. The exception to this approach is advisor assignments to the newly formed National Police battalions because these battalions require more assistance to develop capability for operations without Coalition support. National Police unit capabilities will continue to be assessed so that the limited number of Coalition advisor teams assigned to formed units can be re-aligned to units requiring additional assistance. Through NTM-I the Italian *Carabinieri* train, advise, and assist with the professionalization of the National Police; incrementally increasing National Police training from 400 to 600, then to 900 police students every six weeks beginning in February.

**(C) The number of regular police that must be trained and equipped to maintain law and order**

Approximately 486,000 personnel are assigned to MOI forces, which include the Iraqi Police Services (IPS), National Police, Border and Port Forces, Facility Protective Services, and ministry staff. In September 2008, the MOI announced a future authorization of 476,562 personnel, and the MOI has hired over 16,200 personnel since September 2008. The hiring process appears to follow fair vetting procedures, and special care is taken to ensure comparable demographic representation in the MOI security forces.

The MOI is making police organizational and strength adjustments throughout their forces. These adjustments, due to decreasing violence levels, allow an increased focus on community policing, a growing recognition of the right of all Iraqi citizens to the impartial application of Iraqi law, and enforcement of Iraqi laws in concert with the judicial transition to evidentiary-based prosecution. While there are delays in equipping and basing, the MOI has existing functional systems for procurement, budget, and real estate acquisition that will, in time, meet force generation and organizational requirements throughout the policing forces. These forces include the National Police, Station Police, Traffic Police, River Police, Border Police, Oil Police, Facilities Protection Services, and other emergency response-type organizations. The projected 2009 budget constraints will reduce the ability of the MOI to fund any expansion of security force equipping and sustainment through 2009.

The IPS mission to enforce the rule of law, safeguard the public, and provide local community security remains unchanged. IPS performance has improved with each operation, and the IPS is becoming a professional force that can, with limited

Coalition support, begin to operate and support the rule of law throughout Iraq in conjunction with the court system. The disparate elements that make up the IPS are starting to provide cross-department support to each other, further enhancing their ability to operate.

The IPS consists of all provincial police forces (station, patrol, traffic, and special units) assigned to the 18 Iraqi provinces. The Director General of Police for each province oversees operations and sustainment of over 1,300 police stations across Iraq. The IPS directs policy and strategic planning, and has technical control over the training, vetting, and hiring of policemen and their commanders. Other significant departments and directorates within the IPS are the Criminal Evidence Directorate, Special Weapons and Tactics/Emergency Response Unit, and the General Directorate of Crime Affairs.

**(D) The ability of Iraq's Federal ministries and provincial and local governments to independently sustain, direct, and coordinate Iraq's security forces**

Current ISF operations in Baghdad, Sadr City, Mosul, Ninewa, Amarah, and Diyala demonstrate the growth and improving capabilities of the ISF. The ISF leadership has improved its command and control of multiple brigade-size elements from both the Iraqi Army and the National Police, while conducting simultaneous counterinsurgency operations throughout all regions of the country. Iraqi Army brigade and division staffs show steady improvement in planning and executing combined and joint operations, intelligence gathering, information operations, civil-military operations, and limited post conflict reconstruction operations. Operations Commands are more capable of planning and executing various types of combat operations. Operations Commands played a major role in the command and control of the security effort for the January provincial elections. One area of concern regarding operational commands is that they do not fall under the authority of the MOD, reporting directly to the Prime Minister, leaving their operations independent of Ministerial oversight or discipline.

Battalion and company level tactical counterinsurgency operation execution continues to improve. In New Baghdad, ISF units plan and execute combined, targeted, cordon and knock operations, establish Traffic Control Points, and conduct active patrolling and clearance operations. Iraqi Special Operations Forces and Iraqi Special Weapons and Tactics units effectively perform operations to disrupt AQI and other malign organizations. However, there is still a critical

reliance on Coalition rotary wing assets and other enablers such as intelligence, close air support, and logistical sustainment during operations.

**V. The criteria to be used to evaluate progress toward meeting such conditions.**

As of December 31, 2008, 13 of Iraq's 18 provinces had successfully transitioned to Provincial Iraqi Control (PIC). On January 1, the Security Agreement between the United States and Iraq went into effect, effectively transferring security responsibility to the GOI even though all provinces did not complete the PIC transition process. At the request of the GOI, a new Joint Sub-Committee for Provincial Security was formed under the auspices of the Security Agreement to assess conditions in the five Iraqi provinces that did not transition to PIC before January 1.

The GOI and Coalition assessment process will use criteria evaluating threats and economic and political conditions affecting ISF abilities to maintain security without depending on Coalition Forces. Information describing current and projected economic development and provision of essential services will be added to existing GOI and Coalition assessments of manning, training, equipment, and readiness of provincial forces.

**VI. A plan for meeting such conditions, an assessment of the extent to which such conditions have been met, information regarding variables that could alter that plan, and the reasons for any subsequent changes to that plan.**

Both the MOI and MOD show progress in developing ministerial capacity, albeit slowly and unevenly. To expand institutional capacity, Coalition technical assistance and partnership will be necessary for several years to overcome decades of isolation and stagnation in law enforcement and military education and training. A lack of capacity to train civilian management, a shortage of training staff, deterioration of some facilities, and an inability to fill many positions with trained personnel hinder the ministries.

Operationally, MOI and MOD forces are proving increasingly capable. In most areas, coordination between the two ministries and their subordinate organizations is improving with the implementation of operations centers in each of the provinces. These centers allow MOI and MOD forces to jointly coordinate

operations and share information, which has resulted in the apprehension of suspects and the discovery and destruction of weapons caches and successful security planning and mentoring for the provincial elections. The ISF are gaining increasing support from the local population. The ISF cultivate community relationships and develop an environment of trust by performing humanitarian support and engaging in outreach and public information activities to solicit local help to combat insurgents. The ISF are also demonstrating to the population that their accomplishments against terrorists' activities make Iraqi communities safer. Efforts to assist the MOI and MOD in institutionalizing the oversight mechanisms that will ensure that operations comply with Iraqi law, improving transparency, and holding ministry officials accountable for their failings must continue.

Long-term, bilateral strategic partnerships are maturing, and there are training opportunities for ISF members in the United States and many European NATO countries. The USG and NATO fund courses each year, including Basic Officer Leader Courses, Captain Career Courses, War Colleges, periodic Security Seminars at the National Defense University and the Marshall Center, General Officer Development Courses, and Civil Emergency Response Courses. Many of the courses require English language proficiency prior to enrollment, which has proven problematic. Consequently, MNSTC-I has begun to work with the security ministries to establish a standard training framework and curriculum throughout Iraqi educational institutions designed to facilitate development of a larger pool of English-speaking professionals within the ISF.

The Coalition supports the GOI's development of the Iraqi Intelligence Community, created to support senior policy-makers and ISF operations. ISF intelligence organizations include the National Information and Investigation Agency in the MOI, the Directorate General for Intelligence and Security, and the Joint Headquarters Directorate for Intelligence. They have shown substantial progress in conducting credible intelligence operations and improvements in providing physical evidence, un-coerced, for the Iraqi judicial system. However, at present the Intelligence and Military Security School, which provides training for ISF intelligence professionals and investigators, suffers from a lack of adequate cadre and curriculum to meet ISF intelligence specialization needs. The Coalition works with ISF intelligence partners to address these and other specific shortfalls.

Logistical and sustainment capability remains a major area of focus and is essential for enduring ISF self-sufficiency. Security forces have become more competent and self-sufficient over time. The ISF has made appropriate organizational adjustments during more recent operations. While this is an

encouraging development at the tactical level, much effort must yet be directed to the sustainment and logistical support capability at the operational and strategic levels. The MOD is developing a national supply and distribution network, with one Location Command in direct support of each Iraqi Army division. The MOD will co-locate regional life-support assets at these sites to enhance warehousing and distribution capacity. Eight of these Location Commands are either complete or being refurbished. The remaining five bases are under construction or pending contract and will be operational by mid-2009.

The MOI began fielding a National Police Sustainment Brigade in October 2008 with the purchase of property and Coalition Force contracting for construction of facilities commencing in March. The National Police Sustainment Brigade will be a mobile organization providing support to the four National Police divisions and separate brigades during operations. The National Police will complete organic support units in each division during 2009.

The Taji National Depot Complex remains the centerpiece for national supply and maintenance services to the ISF. When complete, the complex will maintain line stock across all classes of supply for issue to the 13 Location Commands. Other organizations at the Taji Depot (engine and transmission repair workshops, repair parts warehouses, wheeled and tracked vehicle maintenance facilities, etc.) will begin operations as construction is completed, currently scheduled for the end of 2009. The theater-capable General Transportation Regiment began performing transportation missions from its new base at the Taji National Supply Depot in December 2008. Accelerated fielding of the final Motor Transport Regiment has significantly reduced Iraqi dependency on Coalition support to move supplies to Location Commands and training site warehouses.

**VII. An assessment of the levels of U.S. Armed Forces required in Iraq for the six-month period following the date of the report, the missions to be undertaken by the Armed Forces in Iraq for such period, and the incremental costs or savings of any proposed changes to such levels or missions.**

Building on the success to date in protecting the Iraqi population, the Coalition will assist Iraq in developing governing institutions that are legitimate, representative, responsive, and effective, guided by the rule of law, and that serve the Iraqi people. Our efforts will directly support the U.S.-Iraqi Strategic Framework and Security Agreements with an aim to produce a long-term and

enduring strategic partnership between the United States and Iraq that promotes regional stability – a matter of vital national interest to Iraq and the Coalition.

The USG and the international community in partnership with the GOI will work to increase the legitimacy and capacity of the GOI by assisting in the building of capable, accountable institutions that bridge ethnic and sectarian divides, address the root causes of Iraqi instability, neutralize AQI, and balance Iranian influence. Over the course of the next six months, MNF-I's mission focus will transition towards stabilization and enabling civil authorities. This transition will take place at different times throughout Iraq as conditions allow, recognizing that operational conditions throughout the country are not homogeneous. Whenever possible, MNF-I will work with the international community, UN, and multinational and regional organizations to support the development of Iraqi capabilities and promote a legitimate and accountable GOI. Our strategy will support Iraq across five integrated lines of operations: political, economic, diplomatic, rule of law, and security. The political line of operation will remain the main effort over the next six months. However, it is essential that MNF-I and the ISF work together to maintain and improve security conditions in order to allow advances to be made in the other four lines of operations.

Following the approval of the U.S.-Iraq Strategic Framework and Security Agreements and the subsequent expiration of UNSCR 1790, the GOI has demonstrated an increased assertion of sovereignty. MNF-I's operational environment across Iraq has fundamentally changed. These strategic circumstances reflect a period of transition that will be characterized by a change in the size of MNF-I and how it will operate in Iraq.

The United States and other remaining Coalition members (the United Kingdom, Australia, and Romania) steadily reduce and reshape their footprint in Iraq. Since January 1, five U.S. military units have redeployed from Iraq without replacement, including military police, engineers, logistics, and explosive ordnance disposal units, varying in size from detachment to battalion headquarters. MNF-I will continue to examine conditions on the ground and make recommendations to change force levels as appropriate. Combat operations against terrorists and other extremists will continue during this transition period. The missions will increasingly be conducted by, with, and through the ISF and the GOI, as MNF-I works toward accomplishing the mission of partnering with and enabling the ISF, while ensuring Iraqi sovereignty. Due to the continuation of conditions-based operations for the near term, it is difficult to determine the costs or savings of any proposed changes to force levels and missions during this time.

Many factors have contributed to enhanced security and political stability, including increasingly capable ISF aided by the SOI, Coalition Forces' support to the ISF, the demonstrated will of the GOI to counter extremists, and the Iraqi people's increasing rejection of terrorist activities.

**VIII. A description of the range of conditions that could prompt changes to the levels of U.S. Armed Forces required in Iraq for the six-month period following the date of the report or the missions to be undertaken by the Armed Forces in Iraq for such period, including the status of planning for such changes to the levels or missions of the Armed Forces in Iraq.**

President Obama has provided guidance on the future U.S. force structure in Iraq. By August 31, 2010, the U.S. combat mission in Iraq will end and U.S. forces will consist of approximately 35-50,000 U.S. troops whose primary functions will be to train, equip, and advise the ISF, conduct targeted counterterrorism missions, and to protect ongoing civilian and military efforts within Iraq. In the interim, U.S. forces will continue operations while planning and conducting a responsible drawdown from Iraq that is in full support of the U.S.-Iraq Strategic Framework and Security Agreements. Over the next six months, MNF-I and the U.S. Embassy in Baghdad will collectively assess a range of factors across the political, diplomatic, security, economic, and rule of law lines of operation to determine where force reductions can occur across the complex and evolving operational environment in Iraq. These collective assessments will form the basis for any near-term recommendations for U.S. force adjustments and directly supports the President's guidance to ensure the safety and security of U.S. and Coalition forces while continuing to transition responsibility to the ISF.

The political, security, economic, diplomatic, and rule of law trends in Iraq remain generally positive, though key challenges remain. Iraq remains fragile primarily because the underlying sources of instability have yet to be resolved. The country's major power brokers do not share a unified, national vision; they disagree on the nature of the state; and they are reluctant to share power and resources. Kurd and Arab tensions in the north over disputed boundaries and hydrocarbon legislation remain a possible flashpoint for future violence. As security has improved, underlying political disputes have risen to the forefront, and political tension remains a problem. In order to institutionalize and sustain its sovereignty and stability, the GOI must build its legitimacy by providing basic services, encouraging economic growth to create sustainable employment

opportunities, and improving security for the Iraqi people, while positively addressing political, ethnic, and sectarian divisions. It must also develop constructive relations with its neighbors and the region, including gaining the cooperation of regional states in stemming the flow of foreign fighters and terrorists.

Other key security conditions include: the capabilities and strength of AQI and other extremist or fringe groups; Iran's support to proxies trying to undermine the United States in Iraq or weaken the new political order in the country; the GOI's capacity to lead and conduct operations against insurgents and criminal groups; the GOI's capacity to secure its borders; and the reintegration of reconcilable individuals and groups into Iraq's political process and society. Many of these conditions could begin to manifest in political competition for power during 2009 and 2010.

**IX. Report on the implementation of a strategy for United States-led Provincial Reconstruction Teams including embedded PRTs and Provincial Support Teams, in Iraq, and an assessment of the specific contributions PRTs are making in support of the operational and strategic goals of Multi-National Force-Iraq.**

The PRT program is one of the most critical elements of a comprehensive and integrated approach to helping Iraq become peaceful, united, stable, and secure. The effectiveness of the PRT program relies largely on decentralization, which in turn requires strong coordination to ensure a unified effort by all Coalition partners. Goals and objectives tied to the JCP and U.S. Embassy Baghdad Mission Strategic Plan provide focus to the PRT program.

The core PRT mission is building the capacity of provincial institutions. This mission directly supports the core JCP objectives of building government capacity, delivering essential services, improving local economies, instituting rule of law, nurturing civil society, and implementing reconciliation initiatives. The PRTs will help Iraqis attain governmental and societal institutions strong enough to anchor Iraq's nascent democracy and prevent the re-emergence of widespread violence. The operational focus of all teams builds upon PRT strengths and proven effectiveness.



### **Strengthening Governmental Institutions**

PRTs work to strengthen nascent executive, legislative, and judicial institutions of Iraq's provinces. They help provincial governments develop the capacity to plan and execute budgets, manage projects, and develop legislative processes and oversight. PRTs also help build transparency and accountability mechanisms – transparent budget execution, outreach to constituents, and monitoring by independent media. These are especially vital tasks as newly-elected provincial governments are seated and provincial authorities are clarified under the Provincial Powers Law.

For example, one PRT recognized a lack of project management skills within the provincial government. Working with the Army Corps of Engineers and the local university, the team established a training program that has since taught hundreds of engineers the basics of project management, including blind source selection, contracting, payments, inspection, and handover. The result has been a significant increase in the volume of projects executed with Iraqi funds.

As another example, a Rule of Law Advisor in a southern PRT (who had been a career U.S. Attorney) convinced police commanders during a period of Sadrist militia violence in 2008 of the importance of hewing to the rule of law and securing warrants prior to detaining militia suspects. Working with the PRT, police commanders began reporting daily over television and radio outlets on the purpose of current operations against local militia, and detailing the basis of the warrants issued and arrests made. These measures of public accountability and transparency reaffirmed popular support for police actions and undercut insurgent messaging that police were persecuting innocent citizens for political ends.

### **Supporting Elections**

During the recent provincial elections, PRTs executed 55 projects valued at \$3.7 million to educate voters, assist local election offices, and enhance election sites. Using QRF and local NGOs, the PRTs played an instrumental role in the largest grassroots voter education effort ever undertaken in Iraq. A number of PRT personnel also helped observe local operations.

As an example, the Dhi Qar PRT assisted the Shining Hope Organization with their *Simulating the Mechanics of Election Day* effort that taught rural, illiterate, handicapped, and other voters from traditionally marginalized groups about the mechanics of voting in the upcoming elections. The aim was to ensure that they understood how votes were cast and counted and to encourage them to participate in the provincial elections.

The Ninewa PRT supported the efforts of the Doves of Peace to produce five television spots that ran on two local television stations 15 days prior to the elections. The spots were approximately 60 seconds in length and featured local actors preparing to vote, entering the voting station, entering the voting booth, and casting a ballot. One segment focused on familiarizing potential voters with the ballot.

### **Nurturing Civil Society**

As PRTs strengthen government institutions, they also work to strengthen non-governmental institutions that subject government actions to public scrutiny and hold officials accountable. PRTs encourage the growth of vigorous civil society and independent media, especially those dedicated to monitoring government action, improving voter education, and overseeing elections, as well as professional societies that lobby for and critique government decisions. To date, PRTs have spent \$45 million in 962 QRF projects to support civil society.

One example is the Najaf Legal Services Project. The Najaf PRT works with the Najaf Bar Association to provide legal defense services to as many as 1,000 detained criminal defendants who, in violation of their constitutional rights, have not yet appeared before a judge. Participating attorneys will initiate preliminary investigations, submit necessary papers to ensure prompt court appearances, and defend each defendant through the conclusion of legal proceedings.

The Maysan PRT's support for the Iraq Foundation's efforts to train ten local NGOs in strategic planning, improvement of administrative infrastructure, creation of internal by-laws, writing proposals, effective project management, networking and community outreach, and advocacy is another example. In Maysan, where citizens have never organized themselves without government sanction, these NGOs are creating space for civil society. Other examples of this type of programming exist in Baghdad and Salah ad Din.

A third example is the Erbil PRT's work with the Kurdistan journalist community to promote transparency by creating an internet Human Rights Database to track information about harassment of, and attacks on, journalists in the region, and compile and publicize human rights issues ranging from honor killings to the KRG's provision of essential services. The first item on the site is a record of the assassination of a reporter, shot to death after publishing a story alleging Kurdish security service involvement in a prostitution ring.

## **Reconciliation**

PRTs perform a vital “honest broker” role in containing and mediating inter- and intra-group tensions. They encourage inclusion of marginalized factions and foster dispute resolution mechanisms. These efforts increase stability and reduce the perception that politics is a zero-sum game.

For example, the Diyala PRT has helped 35 local farmers establish a farming cooperative, the Hib Hib Poultry Co-Op, crossing sectarian lines to share costs and maximize profitability. The PRT provided expert advice at the start-up and 40 percent of the seed capital for this now self-sustaining co-op, which is a model for future reconciliation efforts in a province only recently wracked by civil war.

Several southern PRTs met and exchanged views with moderate Sadrist politicians, and then identified and described the growing rift between moderate Sadrists seeking legitimate political power and Sadrist militants seeking renewed violence. In some areas, PRT engagements widened the rift between these factions of the Sadrist movement and were able to promote dialogue between these Sadrist moderates and their political rivals.

## **PRTs as a Platform**

PRTs have begun to play a critical role as platforms for introducing international organizations, NGOs, and private businesses into the provinces. PRTs are utilizing their deep connections to provincial leaders and officials, their bases of operations, and power as a convening authority, to introduce outsiders who can play long-term roles in Iraqi economic and political growth.

For example, UNAMI has expanded its presence in Iraq by locating its staff with six PRTs. UNAMI has been able to use the PRTs as a platform to develop relationships with the local Iraqi community and expand its outreach and services.

As another example, the embedded PRT in Fallujah is serving as link for foreign investment in Anbar. Currently, eight companies are interested in expanding their current businesses in Iraq (six U.S.-based and two Swiss-based companies). The PRT is hosting a forum to allow company executives to meet and engage with potential Iraqi partners. The companies’ products range from composites used in construction to specialty real estate and tourism.

## **Economic Development**

PRTs train and assist Iraqi provincial executive and legislative officials to perform basic economic and business-development functions common in developed economies. PRTs also support and encourage the formation of business-oriented organizations within the community.

The Basrah PRT worked with local businessmen and unions to establish a business center which offers services to thousands of local businesses and publishes a guide to investment in Basrah. These efforts, in combination with those of the PRT and the GOI, have attracted investment interest from companies in Turkey, the United Arab Emirates, Kuwait, United Kingdom, United States, and South Korea. The center also aids local businesses with access to credit, information technology, and business planning. The group has used its growing clout to lobby the provincial government, including the Basrah Investment Commission.

Furthermore, PRTs will continue their vital role in supporting efforts on behalf of displaced persons and returnees, serving as a tool of counterinsurgency in those provinces still plagued by violence and instability, notably Diyala and Ninewa, and in providing ground-truth reporting on key events and trends across Iraq.

Embassy Baghdad has begun consolidating embedded PRTs into the provincial teams as the brigades in which they were embedded rotate out without replacement. As of the end of March 2009, there were 28 teams assisting 15 provinces and the Kurdistan Regional Government. The North Babil embedded PRT was consolidated into the Babil PRT in January 2009.

For additional details on ISF training, capability, and progress, please refer to the quarterly report to Congress entitled “Measuring Stability and Security in Iraq,” [http://www.defenselink.mil/home/features/Iraq\\_Reports/index.html](http://www.defenselink.mil/home/features/Iraq_Reports/index.html).

For additional information on reconstruction, assistance, and the delivery of essential services, please refer to the 2207 Quarterly Report to Congress on The Iraq Relief and Reconstruction Fund (IRRF), <http://www.state.gov/p/nea/rls/rpt/2207>, or for general information on the status of political, economic, and security efforts, the Weekly Status Report, available on the Department of State web site, <http://www.state.gov>.

**List of Acronyms and Abbreviations**

AQI	Al Qaeda in Iraq
COR	Council of Representatives
DRL	Bureau of Democracy, Human Rights, and Labor
FY	Fiscal Year
GDP	Gross Domestic Product
GOI	Government of Iraq
ICI	International Compact with Iraq
IDP	Internally Displaced Person
IHEC	Independent High Electoral Commission
IMF	International Monetary Fund
IPS	Iraqi Police Services
IRFFI	International Reconstruction Fund Facility for Iraq
ISF	Iraqi Security Forces
ITAO	Iraq Transition Assistance Office
JCP	Joint Campaign Plan
KRG	Kurdistan Regional Government
MNF-I	Multi-National Force – Iraq
MNSTC-I	Multi-National Security Transition Command – Iraq
MOD	Ministry of Defense
MOI	Ministry of Interior
NATO	North Atlantic Treaty Organization
NGO	Non-Governmental Organization
NTM-I	NATO Training Mission – Iraq
PFMAG	Public Finance Management Action Group
PIC	Provincial Iraqi Control
PRDC	Provincial Reconstruction Development Council
PRT	Provincial Reconstruction Team
QRF	Quick Response Fund
SBA	Stand-By Arrangement
SOI	Sons of Iraq
UN	United Nations
UNAMI	UN Assistance Mission for Iraq
UNCAC	UN Convention against Corruption
UNHCR	UN High Commissioner for Refugees
UNODC	UN Office on Drugs and Crime
USAID	United States Agency for International Development
USG	U.S. Government

